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# THE DÜSSELDORF CONFERENCE OF INDUSTRIALISTS 15-16 MARCH 1939

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A study of the background and results of the conference between British and German industrialists on foreign trade.

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SUMMARY CONFIDENTIAL

1. Due to decreasing volume of trade, a fall in prices on foreign markets and the fact that Germany was operating on foreign markets in a unified manner with the guidance and protection of her government, the Federation of British Industries (FBI) submitted an aggressive five-point memorandum to the Board of Trade in the summer of 1938. The British Government rejected this, but gave its approval and sponsorship to the proposed "private" conference of the Reichsgruppe Industrie and FBI at Düsseldorf.

2. The German press expected little of the conference, feeling that there had been little competition between England and Germany for foreign markets -- that the colonies represented England's sphere, Central and Southeastern Europe Germany's sphere. It also felt that British industry was not well enough organized to deal with. Price agreements, however, might be advantageous for both parties.

3. The British press had higher expectations. "The object of the discussions", said the London Times, "will be to continue on a formal basis the informal conversations which have already taken place between officials of the two organizations." The Director of the FBI stated that his organization was only a go-between; that the main problem before the meeting was the elimination of exports at unprofitable prices; that the conversations should not

be restricted to third markets, but should include Anglo-German trade proper. Lord Halifax, then Foreign Secretary, announced that it was the earnest wish of the Government that the negotiations should succeed because he thought that trade routes might lead to peace. Even The Economist was optimistic in its outlook.

4. The day set for the beginning of the meeting coincided with the occupation of Prague. British interest was diverted from the Düsseldorf meeting. The German press, however, made an extra effort to play up the meeting, using it as proof that the political situation was not serious. They claimed that members of the delegation returning to England had stated that the discussions had yielded satisfactory results and that the political crisis had had no repercussions on the meetings.

5. There is little to indicate what actually happened at the meeting, but the following passage from the Frankfurter Zeitung of 20 March 1939 may reveal something of the activities: "As far as the British are concerned, their interests centered mostly on products of the processing industries such as motorcycles, watches, agricultural machinery and certain textiles, but in those fields there are already some organizations which function like international cartels or sales agreements in other fields which are satisfactory to the producers. The manufacturers of electric bulbs, tar dyes and other chemicals, as well as those of aluminum, cement, steel, steel tubes,

coal and sugar are satisfied... The Düsseldorf talks want to make this (the general establishment of international cartels) a general goal..."

6. The official communique issued on 17 March by the Reichsgruppe Industrie and the Federation of British Industries listed twelve points the substance of which was as follows:

i. The opportunity to promote friendly relations welcomed.

ii. Profitable foreign trade necessary to both countries.

iii. Foreign exchange necessary.

iv. Elimination of unsound competition.

v. Desire for industrial agreements to exclude competition and fix prices.

vi. Desire that other nations should join in the agreements.

vii. Negotiations should start immediately in those industries already organized.

viii. Agreement to ask for the support of their respective governments if necessary.

ix. Collaboration for the elimination of unsound competition.

x. Furtherance of agreements between individual industries. Nine industrial groups have already started negotiations.

xi. Both are of the opinion that unwarranted competition is no more of a problem than increasing world consumption of products manufactured by them.

xii. The ultimate goal must be to improve the prosperity of the whole world. An independent committee set up to promote negotiations between individual industries. The German members accept the invitation to visit England in June.

7. It was clearly recognized both in England and in Germany that the communique was nothing but a statement of intended policies and neither an agreement nor a commitment on either side. After removing the embellishments, it amounts to a plain acknowledgement of international cartelization with the novel improvement that those cartels should have the support of their respective governments against possible outsiders.

The policy was very much in line with Germany's business organization. But from the British standpoint it represented a possible breach of the Anglo-American trade agreement and an important change in Britain's foreign economic policy.

8. The seriousness of purpose of the agreement was indicated by the fact that nine industrial groups had already started negotiations. (See point 10 above.)

9. Under pressure of public opinion aroused by political events, the British government had to break off

negotiations officially. The British delegates came back feeling that things could be cleared up by negotiation. The German press hoped that the adjournment was intended to last only until the storm had blown over.

The breach was final, however, and there are no indications that discussions of this kind were taken up again.

# THE DÜSSELDORF CONFERENCE OF INDUSTRIALISTS 15-16 MARCH 1939

## I. BACKGROUND OF THE MEETING

Both the decrease in the volume of trade and the fall in prices on the foreign markets of Great Britain and Germany led British industrialists to attempt to secure government action for the support of British foreign trade interests. Competition with German exporters was difficult as Germany not only had a virtual foreign trade monopoly but the individial industries were strongly organized. Under the guidance of governmental agencies and frequently with their financial assistance German industry operated on foreign markets as a unit.

As early as in the summer of 1938, the Federation of British Industries (subsequently referred to as FBI) submitted a memorandum to the Board of Trade (BOT). They requested:

(1) Removal of the deficit in the balance of payments.

(2) Restriction of competitive imports by a three-cornered tariff.

(3) Balancing of imports and exports with respect to individual countries.

(4) An increase in the export of manufactured goods by elimination of the most favored nation clause.

(5) Prohibition of the import of subsidized commodities and pressure upon other countries to do likewise.

The British Government at that time was making preparations for the Munich Conference and did not look with favor on the bellicose attitude of the FBI. After a considerable delay, the BOT rejected the demands of the FBI on 20 January 1939, in spite of the endorsement given the FBI policy by the British Chamber of Commerce (cf. DV 5 August 1938; WD 27 January 1939; NZZ 22 January 1939.[1] The FBI then attentuated its demands and merely requested that the government take the necessary steps to fight unfair competition abroad and make public a program of retaliation.

Aware that its aggressive policy in the summer of 1938 was likely to be rejected and at the same time using the policy as a threat against Germany, the FBI considered the possibility of an overall agreement between German and British exporting industry. Cooperation in foreign trade between Nazi-Germany and Great Britain was not a new concept. Agreement had been reached as early as 1933 on payments with respect to mutual trade. Without any doubt it was beneficial for the foreign trade of both countries that it had not been included in the emergency program of clearing agreements. Up to 1938 the volume of trade between the countries was permitted to increase steadily. The payments agreement, which remained almost unchanged until 1938, provided that Germany should import from Great Britain an amount of goods equal to at least 55 percent of the value of her exports to that country.

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1. A complete list of sources and the abbreviations used in the text is given on page 33.

Actually, this percentage had been exceeded in almost every year. In March 1938 the ratio was raised to 60 percent. On 6 March 1939 the Frankfurter Zeitung stated that "everything would be all right if only the British Government would have more influence on private business."

In addition to these trade agreements, there were in existence agreements between private groups designed to regulate foreign trade. For some time English and German industries had been members of international cartels, e.g. steel, sugar, tubes, etc., and had been satisfied with the way in which they functioned. During the period immediately preceding the Düsseldorf Conference extensive negotiations between British and German coal exporters had been under way in an effort to establish a European coal cartel. As is usually the case in establishing cartels, the basic period for fixing quotas was subject to great argument, each group urging that a period when its exports were high be used as the basis. (DBZ 19 January 1939). Eventually an agreement was reached, but neither the quota distribution nor the basic period were ever officially made public.[1] Moreover, as revealed much later (FZ 16 April 1939) the agreement had been made on the assumption that Poland, the Netherlands, France and Belgium would join. Actually, negotiations had been begun only with Poland. Nevertheless the favorable conclusion of the coal agreement gave

1. The London Times (3 February 1939) believed that coal exports had been divided between Great Britain and Germany in the ratio of 65:35.

new impetus to the efforts of the FBI to organize similar negotiations on a broader basis.

In January 1939, the head of the Bank of England, Montagu Norman, visited Hjulmar Schacht, then President of the Deutsche Reichsbank. Although officially a private visit, it was generally considered to be in connection with pending trade negotiations. "In this connection the efforts with regard to an Anglo-German export cartel are of special interest" comments NZZ (4 January 1939). On 23 January 1939, a committee of the FBI formally adopted a motion to enter into preliminary talks with German industries. To back this motion, Mr. R. S. Hudson, Secretary of the Overseas Trade Department, stated in a speech at a dinner of the German Chamber of Commerce in London that Great Britain did not intend to renounce economic warfare forever.

On the other hand, economic conditions in Germany were now such as to make the attitude of the German authorities much more conciliatory. Having reached full employment, certain strains on the German economy became apparent. The import market which up to this time had been restricted primarily to commodities which could not be produced in Germany became important also in supplementing home-industry production. A lack of foreign exchange compelled Germany to look for further export possibilities wherever barter or political pressure were not

successful. Schacht's resignation from the presidency of the Reichsbank on 20 January 1939 was generally interpreted as a sign of deteriorating economic conditions in Germany and the trend was plainly stated by Herr Hitler in his speech of 31 January 1939 when he coined the famous watchword: "Germany, export or die".

The speed with which the long-planned conference was arranged was due not only to economic considerations but also to political considerations on both sides. In his speech of 4 February 1939 in Hull, Lord Halifax, then Foreign Secretary, announced that "it was the earnest wish of the Government that these negotiations should succeed" (London Times 4 February 1939) because he thought that "trade routes might lead to peace". The Frankfurter Zeitung (6 March 1939) concurred in this opinion and stated that "from these new trade policies, i.e. agreements between leading industrial organizations under the sponsorship of the Government, an improvement of the political situation is expected". But the political importance of the meeting becomes much more apparent in the light of the banquet planned for the end of the conference. It was to be held in Berlin and attended by the President of the BOT, Mr. Oliver Stanley, and the Secretary to the Department of Overseas Trade, Mr. R. S. Hudson. "Their journey", says Neville Henderson (Failure of a Mission, p. 191-2), "was officially stated to be a private one,

the ostensible occasion for it being a banquet which was to be given in Berlin to representatives of certain British industries who were discussing trade agreements with their German competitors. But behind the facade of privacy, the real intention of the visit was patent, and though the primary object was a modest one, it was legitimate to hope it might lead to more general and concrete trade discussions. I had immediately upon my return to Berlin spoken of the visits of Mr. Oliver Stanley and Mr. Hudson both to Fieldmarshal Goering and Herr von Ribbentrop. Both had expressed appreciation and concurrence."

## II. THE EXPECTATIONS

The German press expected little of the forthcoming meeting. Two opinions were expressed: "There is no real emergency situation in international trade or in economic policies in general... but price agreements could be advantageous for both parties" (DN 9 March 1939) and the opinion that there had not been any strong competition between England and Germany for foreign markets at all (FZ 6 March 1939, DV 17 March 1939). While there were deviating opinions about the necessity of trade agreements for Germany, the second of these two points was almost unanimously stressed by the German press. British foreign trade, it was said, was concentrated in the British Empire, a market strongly protected by the Ottawa agreements and never contested by German exporters. The natural structure of Germany's foreign trade, on the other hand tends toward

Central and Southeastern Europe which Germany considers her sphere of influence similar to the position of England in the Empire. Attention should, therefore, rather be directed to increasing the total volume of foreign trade. The main difficulty in coming to a workable agreement is seen in the German press to be the lack of organization of British industry which could prevent the delegation from signing any commitments. The real value of the coming conference is considered to be that "completely new methods of trade policy" are represented. There have been international cartels in which individual branches of industry have divided markets and fixed export quotas. It is, however, novel that negotiations with respect to markets should take place on such a large scale between industrial groups and between the leading organizations of the various industries at official invitation... Private organizations thus undertake the part of the work which was formerly done by trade treaties between governments. The application of private market regulations to international trade opens up the prospect of achieving the utmost benefits for two important partners in world trade without a costly struggle" (FZ 21 February 1939). The same objection was expressed by the English press opposed to the conference. "Even if Germany is willing to give any assurances with regard to export price cutting and to discuss an apportionment of neutral markets on familiar international cartel lines, the difficulty remains that British industry

for the most part is not organized on these lines. It will be ironical if libertarian countries have to remodel their economic structure on totalitarian lines in order to cope with the dictatorship's competition in export markets." (NSN 25 February 1939)

The British press gave much more publicity to the pending negotiations than the German press did and had much higher expectations. "The object of the discussion", said the London Times (13 February 1939) "will be to continue on a formal basis the informal conversations which have already taken place between officials of the two organizations. It is proposed that a general discussion should take place with regard to the problems affecting Anglo-German trade relations, with special reference to competition in third markets. An examination will be made of the readiness of individual industries in both countries to enter into negotiations with regard to the settlement of any difficulties. Considerable preparation is needed before individual industries are in a position to enter into negotiations for an actual agreement. It is hoped that it will be possible for the representatives of certain individual industries to accompany the FBI delegation with a view to meeting representatives of corresponding German industries. One of the chief objects of the meeting between the two central bodies which is expected to last for two or three days, is to make a survey of the industries which could usefully enter into

contracts, and to facilitate the discussion between them of particular problems at an early date." A few days later the following opinion was expressed. "Clearly the governments are determined to set Anglo-German trade relations in order so far as they can. Direct trade between the two countries was facilitated by the payments agreement of last July. Since then the twin forces of barter and subsidy have been dexterously applied in trying to push non-German trade out of many countries especially in Central and Southeast Europe". (LT 18 February 1939) This latter statement does not quite conform with a previous one in which the London Times, on the basis of an extensive analysis of the trade between Germany and England was compelled to admit that "Germany, as compared with 1929, has gained little at the expense of Great Britain except in Southeastern Europe, in the Near East and in parts of South America. Hitherto the advance has not been alarming because Great Britain's trade with these regions was not large ... but they present anxieties of possible extension to areas vital to Great Britain". (LT 4 February 1939) It looked as if some groups in England wanted to utilize these anxieties to further the trend toward international cartelization.

These plans for rather broad international cartelization were quite elaborate, as revealed in an interview given to the Deutsche Allgemeine Zeitung by C. S. F. Ramsden, Director of the FBI and responsible for its

foreign relations. The FBI, according to Mr. Ramsden, was only a go-between; bilateral negotiations between industries were essential and it would be advantageous if such individual talks could take place at the time of the general meeting, though it was not likely that they could. The main problem was the elimination of exports at unprofitable prices. This would require a survey of those industries already in a position to enter into agreements. Great Britain was going to propose about twenty of them, from the machinery construction industry to the production of the smallest of consumers' goods. The conversations should not be restricted to third markets, but should include the Anglo-German trade proper. A combination of the two was possible, e.g. reduction of duties to Germany in exchange for German concessions on foreign markets. All potential agreements should be left open to France and the United States and other nations.

Mr. Ramsden maintained that Mr. Stanley's backing of the meeting was tantamount to governmental sponsorship. Too much could not be expected, but a good beginning was hoped for. As to the methods envisaged, Mr. Ramsden mentioned some precedents like the coal agreement, as well as pooling and joint accounts. As an example of the latter, he referred to an agreement between a loose and not yet fully organized group of producers of locomotives and hydraulic instruments and their German partners.

The joint account, he said was a fund into which the partners paid their profits from exports, but those profits were not distributed according to sales but rather in the form of a compensation fund, i.e., the smaller the share in exports the higher the share in profits. All payments to Germans out of this fund were to be made outside the Anglo-German transfer agreement to give an additional incentive to German exporters and to transact as much business via London as possible. Each individual European producer might join the joint account. The plan provided for fixed export quotas, joint advertising, joint market research and for diminishing transportation costs by appropriate distribution of orders.

In previewing the conference the Economist shared in general the optimistic outlook of the British press at large. In an article, "Trade by Agreement" (Nr. 4903 of 25 February 1939 p. 283/4), the fact was stressed that due to the strain in Germany's economic situation Great Britain could "make a bargain with the Germans" if it wished to do so. It was recognized, however, that negotiations on such a broad scale and with the active support of the British Government, as well as the attempt to fix quantitative relationships in foreign trade, represented a "novelty in British commercial practice", even under the assumption that it would be possible "not to make unilateral concessions to threats or bluster".

The Economist hoped that England's representatives would be able to do an exceedingly good job, with the qualifications that the forthcoming agreement should:

(1) Not impose any restrictions on the development of world trade in general.

(2) Not give away markets which had been Britain's;

(3) Not create a monopoly of trading... since free competition in the outer world was one of the most valuable checks upon monopoly at home.

(4) Be open to all countries on equal terms.

The impending discussions were also receiving attention from abroad. From Paris it was reported to the DAZ (4 March 1939) that one of the most important tasks of the new French Committee for Franco-German Economic Problems would be the observation of and possible participation in the discussions by France. Paris evaluated the negotiations in much the same way as she had the Anglo-American trade negotiations. Any agreement which might be made at the expense of France should be prevented and eventually an agreement should be made which would be open to all the great nations.

## III. THE MEETING

By 13 February, the FBI had officially made known the composition of its delegation:

Peter F. Bennet, President of the FBI
Sir William Larke, Chairman of the FBI Committee on Tariffs and Commercial Relations
Guy Locock, Director, FBI
R. Glenday, Economic Adviser, FBI
C. F. I. Ramsden, Foreign Director, FBI
V. Wathington, Member of the FBI Grand Council
T. E. Jordan, Representative of the FBI in Germany

Sir William Larke was to be the leader, because the President was not certain that he would be able to attend all of the meetings. On 2 March, the names of the following additional members were published in the London Times:

Lord Dudley Gordon, President, British Engineer Association, Chairman, I. & E. Hall, Ltd.
A. C. Macdiarmid, Chairman, Stewarts & Lloyds, Ltd.
Roger Duncalfe, Vice President, Association of British Chemicals Manufacturers, Director of British Glues & Chemicals, Ltd.

The Frankfurter Zeitung (2 March 1939) in commenting on the above dispatch said that there was no possibility of finding out for which industries the British intended to make agreements first, except for tubes, machinery construction and chemicals. The list, it said, seemed therefore still to be incomplete because of the fact that the FBI had invited quite a number of branch organizations. On 14 March the Frankfurter Zeitung reported that the National Association of Hosiery Producers in England had announced a delegation to attend the Düsseldorf meeting. There is no report of who actually participated in the talks, nor is there anything about the composition of the German delegation. The exact coincidence of the day set for the beginning of the meeting with the German occupation of Prague not only forced interest in the meeting into the background, but, even more important, British propaganda did not favor giving publicity to a peaceful meeting of British and German industrialists at a time when political conflict was running

higher than it had at any time since pre-Munich days. No comprehensive report or minutes of the meeting can be found in the English press.

The German press, which was generally eager to belittle the Prague incident, tried to use the Düsseldorf meeting as proof that the political situation was not serious. "Not only the political but also the economic feeling of security was strong enough to let the British representatives continue the Düsseldorf economic discussions which had started with governmental consent. The meetings were even ended successfully earlier than had been anticipated. (FZ 20 March 1939) On 17 March the Frankfurter Zeitung had commented laconically on Chamberlain's announcement in the House of Commons that the trip of Oliver Stanley and Mr. Hudson to Berlin had been postponed indefinitely. "The present talks between representatives of German and British industries in Düsseldorf continue". The next day the following statement from London was reproduced: "After the return of the British delegation of industrialists from Düsseldorf the leader of the delegation and President of the FBI, Bennett, told a representative of the Press Association that the discussions had yielded satisfactory results notwithstanding all the difficulties. Another member of the delegation and Director of the FBI, Locock, said that from a business point of view he was absolutely satisfied with the negotiations and discussions in Düsseldorf... The discussions

in Germany had been carried on in a very friendly spirit and with a mutual desire for understanding. The political crisis had no repercussions on the discussion." And the Deutsche Volkswirt on 24 March reported the break from the side of the British under the significant heading: "Bad Policy Disturbs Good Business".

In the German publications[1] there was no genuine report on the meetings after they had taken place, nor was there any list of the representatives of the Reichsgruppe Industrie published before the meeting. Even the economic periodicals proper, some of which had previewed the meeting rather extensively, like Der Deutsche Volkswirt, Wirtschaftsdienst, Deutsche Wirtschaftszeitung, Kartell-Rundschau, Die Bank, etc., did not contain anything more specific than a short resume of the official communique. It seems as if admission of the breakdown of the meeting and of the ensuing conferences would have darkened the bright picture of the big victory in the Czech affair and the optimistic outlook.

The following passage from the Frankfurter Zeitung of 20 March may reveal some of the activities of the meeting: "As far as the British are concerned their interests centered mostly on products of the processing

1. Unfortunately none of the papers published in Düsseldorf are available. Not even such important dailies as the Deutsche Bergwerkszeitung, mouthpiece of the heavy industries published in Düsseldorf, or the Goering organ Nationalzeitung, published in Essen, in which there may be a great deal of information.

industries (Verodlungsindustrien) such as motorcycles, watches, agricultural machinery and certain textiles, but in those fields there are already some organizations which function like international cartels or sales agreements in other fields which are satisfactory to producers. The manufacturers of electric bulbs, tar dyes, and other chemicals, as well as those of aluminum, cement, steel, steel tubes, coal and sugar are satisfied. There already exist quite a number of international cartels because it has always been the desire of leading industrialists to arrange international understandings indirectly in coordinating competitive economic conditions. The Düsseldorf talks want to make this a general goal. The realization of this goal, however, presupposes the existence of sufficiently strong and broadly organized groups; German industry has those organizations everywhere; the British don't yet. These organizations would act together to increase world consumption -- and that is the new proposal of the Reichsgruppe and the FBI. One wonders what was in the minds of the conferees in this respect."

## IV. THE OUTCOME OF THE MELTING

For the results of the discussions we must look to the official communique, published 17 March, the preamble of which reads as follows:

"The 'Reichsgruppe Industrie' and 'The Federation of British Industries' issued the following joint

communique at the close of a general discussion of German-British economic relations."

The communique lists the following twelve points:

**(1) The two organizations welcome the opportunity created in these discussions to further improve the friendly relations which have already been in existence for many years between the two organizations.**

(2) Both organizations declare that for the economic life of Germany as well as of Britain a strong and profitable foreign trade is absolutely necessary.

(3) Both organizations declare that the purpose of this export trade must be to provide work for the respective nations, to raise the standard of living and to insure a supply of foreign exchange sufficient for economic necessities.

(4) Both organizations agree that the goal for which they are striving is that the export trade of all countries should be organized in such a way as to guarantee a just return to the producers of that country. Furthermore agreement could be reached on the necessity of eliminating unsound competition by constructive collaboration in order to broaden international trade in the interest of Germany, Great Britain and of all the other countries.

(5) Both organizations are of the opinion that it would be desirable if the individual industries in both countries would try to conclude industrial agreements in order to exclude possible competition which might destroy

the market. However, prices should be fixed at a level which would not endanger the purchasing power of consumers.

(6) Both organizations are aware that agreements on prices or other factors between Germany and Great Britain are but one of several steps toward a better organized world trade system. They would welcome it if other nations would join those agreements.

(7) Both organizations are of the opinion that negotiations should start immediately between those industries which are already organized for that purpose. They further agree that international trade would benefit more rapidly on a stable, progressive and profitable basis the greater the scope of this agreement both with regard to industries and countries.

(8) Both organizations are fully aware that the advantages of agreements between the industries of two countries or of two regions could be frustrated by the uneconomic competition of the industry of another country refusing to join the agreement. In such cases it might become necessary for the organization to ask for the support of its government. Both organizations agree to ask for such support if the need arises.

(9) Both organizations agree that the purpose of any agreement among their industries should be the elimination of unsound competition. It is their intention to make collaboration between the industry branches of their respective countries as perfect as possible.

(10) Agreement has been reached by both organizations to use their best energies to further negotiations among individual industries of their respective countries and to make them effective. They feel especially encouraged by the fact that a considerable number of such agreements are already in existence between individual German and British industries. Thus a great deal of experience has been gained which gives confidence in the feasibility and advantageousnous of an immediate extension of this policy. They are happy to report that already more industries have declared themselves ready in principle for early negotiations. They report with satisfaction that among nine industrial groups (the number is not yet final) negotiations have already started and are now under way.

(11) In summary, the Reichsgruppe Industrie and the Federation of British Industries are of the opinion that the problem does not lie exclusively in the elimination of unwarranted competition, but rather in taking concrete steps to increase world consumption of those products in the manufacture of which German and British industries are interested.

(12) The ultimate goal must be to improve the prosperity of the whole world. The Reichsgruppe Industrie and the FBI are of the opinion that their discussions have yielded a sound basis on which the individual

industries may begin useful negotiations. To ascertain for the future the success of this policy between the Reichsgruppe Industrie and the FBI, an independent committee of both organizations has been set up. It will supervise the state of the negotiations in regular meetings. The FBI has invited the German members of this joint committee to return their visit by a trip to England in June. The invitation has been gratefully accepted by their German colleagues.[1]

It is absolutely obvious that this communique is at best a statement of intended policies and neither an agreement nor a commitment on either side. This fact is clearly recognized. "The discussions were a priori envisaged as a (working) basis... It is therefore not contradictory to the spirit of the discussions if nothing came of them but a manifestation of good will and a statement of some principles of collaboration". (FZ 17 March 1939) "As was to be expected under the given political conditions, the joint communique is nothing more than a Platonic declaration." (NZZ 19 March 1939) "The agreement contains no provision relating to any specific industry, has no operative effect by itself... is only a guide to further negotiations" it was pointed out by Oliver Stanley in answer to Messrs. Henderson, Shinwell and Jenkins (Labor) in the Commons on 22 March. The Government, he said in answering more questions, had no part

1. FZ 17 March 1939, page 9. Underlining by FZ. Abbreviated in Times of 17 March 1939, page 15. Full English version in the House of Commons, 21 March 1939.

in it, although he had previously officially stated in the Commons (3 March) that "his Majesty's Government will keep in touch with the progress of negotiations to which the Honorable Member refers, and must clearly be consulted on any question involving Government action." Thus, literally speaking, Stanley was right because no action was called for at the moment, but it was equally clear that during those critical days the conference as well as the agreement to a joint declaration could not have escaped the knowledge of the Government. It should be kept in mind that it took several days until the Chamberlain Government finally decided to abandon the policy of Munich. And it was not until 23 March after Stanley had received the leaders of the British delegation, that further negotiations were officially interrupted. "All members", says the statement, "are of the opinion that only the future can tell whether at sometime, under changed conditions, the valuable preparatory work of individual industries may be continued for the sake of the nation."

Although only an outline, a basis, a framework, or a skeleton, as it was referred to in the press, the communique deserves some close examination. After removing the embellishing phrases referring to the need to increase the total volume of foreign trade and to protect the purchasing power of consumers, it amounts to a plain acknowledgment of international cartelization with the novel improvement that those international cartels should

should have the support of their respective governments against possible outsiders. It was not surprising that Germany should have adopted such a policy, since German industry under Nazi leadership had for years acted as a State-sponsored cartel on foreign markets which were less concerned with keeping prices up than with increasing the volume of exports with the help of subsidies.

Although the British had participated in a number of international cartels, it was somewhat surprising that the BOT should officially subscribe to a policy of general world cartelization. "The negotiations with Germany about facilitating exports and the agreements about foreign markets certainly represented no liberal policy, because cartels, which have to agree on protected areas, quotas and prices, are a prerequisite of such agreements. The purpose of such agreements, however, would be rather to improve returns than to increase sales. They might even cause the volume of sales to decline under an inconsiderate price policy because the purchasing power in many of the smaller nations is not very considerable", said the Frankfurter Zeitung (26 March 1939) ironically. But to some factions of British public opinion the change in foreign economic policy was more alarming than the breach with outmoded liberal trade traditions. "What is strange" says the New Statesman and Nation (25 March 1939 - p 478) "is that the FBI should have concluded, even provisionally, an act whose basic principle was an Anglo-

German economic alliance designed to increase Germany's supply of foreign exchange available to finance imports of war raw material. The agreement proposed that British industries should proceed to cartelize themselves on German lines, and that negotiations should follow with a view to eliminating price cutting and increasing consumption both of British and German manufacturers. It is difficult to see what British interests could be served by FBI cooperation in securing an expansion of subsidized German exports; and a peculiarly repellent feature of the pact was the suggestion that the British and German governments might be asked for support to fight foreign competition in neutral markets. Mr. Stanley declares that this was not intended to be a breach of the terms of the Anglo-American trade agreement; but it was certainly contrary to its spirit..." This statement referred to a debate in the House of Commons on 22 March, when Noel Baker and Maclean (Labor) had asked whether the Düsseldorf discussions had not followed the wrong lines, creating resentment in other countries, and whether the agreement was not in contrast with the Anglo-American trade agreement. Both charges had been denied by Mr. Stanley.

The Economist was greatly disappointed by the agreement as it finally emerged from the conference. It regretted that the political issues at the time of the signing of the agreement blurred "the obnoxious character of the agreement as an instrument of commercial policy".

It was obnoxious because instead of refuting German trade practices, as had been announced, it de facto made those practices the basis of Anglo-German trade relations. These practices included the creation of international agreements to put an end to destructive competition, a policy of complete cooperation throughout the industrial structure (a phrase aptly explained by the Economist as meaning complete domestic cartelization), and finally a project for joint Anglo-German subsidies.

In particular that paragraph of the agreement which provided for governmental support against outsiders raised the anger of the Economist because it meant "that in given circumstances the FBI contemplates seeking British government subsidies to help German trade against American." "Is there anthing in the atmosphere of Düsseldorf", asks the Economist, "that causes sensible men to lose their wits?". And it regarded as "conventional sentiments" the phrases about the necessity for increasing the volume of international trade, not penalizing the consumer, and the free access of other nations. The final refutation of the agreement is in such strong terms that a literal quotation seems appropriate:

"Provided Germany does not encroach on British trade preserves or reduces the profit margin of British exporting industries, Great Britain will not concern herself with what Germany does to other people's trade or by what means. This policy may just conceivably be in the very short-term interests of the firms represented

in the FBI. It is certainly not in the interests, either at short term or at long, of the British community as a whole. We repeat our regret that the international crisis has come to confuse the issue. The issue is, in a word, that the agreement proppses to compound a commercial felony." (Mr. 4987 of 25 March 1939. p. 607)

Even the liberal Economist did not regard the monopolistic tendency as the worst feature of the agreement; it had just had an opportunity in a previous article to explain the diverging attitude of America and Great Britain with respect to restraint of trade. But it is fair to point out that at least one influential periodical took open issue with those British industrialists who had shown their willingness to join the Nazis in their attempts to conquer world foreign trade by discriminatory and restrictive methods.

That the declaration was not intended to be pure lip-service was made clear by the fact that in paragraph 10 of the agreement pending negotiations between nine industrial groups were mentioned. The Deutsche Volkswirt (24 March 1939) reported that "following the discussion of principles, representatives of numerous industries immediately started negotiations and a number of agreements are about to be concluded. No less than fifty more groups are about to conclude agreements similar to those which have been functioning". Meanwhile, the communique issued on the occasion of the return of the

British delegation stated that the number of groups continuing discussions was six or seven.

## V. THE RUPTURE OF NEGOTIATIONS

Under pressure of public opinion aroused by political events, the British government had to break off the negotiations officially. Even after their return from Germany on 18 March the British delegates did not realize what had been happening and expressed the hope that "in the near future still other things will be cleared up by negotiations." (FZ 18 March 1939) In the House of Commons on 22 March, Mr. Stanley gave an evasive answer to the request of the opposition and declared that a new investigation of the subject was needed. He would discuss the matter with the FBI. After that discussion, however, it was officially announced that negotiations had been suspended indefinitely.

Based on the assumption that the occupation of Prague was a legitimate action and that all the excitement about it in England was the work of sinister wire pullers, the German press was disappointed by the growth of the breach. Still, on 22 March the Frankfurter Zeitung, reporting on rumors that the British Government was going to disavow the agreement, was of the opinion that "The Government will hardly take up an entirely negative position. It is believed that the FBI has been informed that it will learn the attitude of the BOT during the next week."

After the postponement had been officially announced, the Frankfurter Zeitung (26 March 1939) reminded the British that they had taken the initiative in the negotiations because they obviously expected to gain thereby. If the adjournment was intended to last only until the storm had blown over, their action would be understandable. If, however, postponement was being considered until a restoration of the political status quo, then it would be quite a mistake. "No impression can be gained over here with postponement ad calendas Graecas or with other economic pressure. A better sense of reality would be shown if useless gestures could be avoided on the other side of the channel, because the problem of dividing markets will come up again as a result of the interest of the British. At a later date it will be much more difficult to send back the industrial ambassadors who have now been recalled."

One week later, after Britain's foreign policy had been made public, Reichsminister Funk, in his speech before the central committee of the Reichsbank on 30 March said: "In order to further international trade relations and to give back to world economics a sound basis, Germany has had very promising discussions with France and England which have been interrupted due to recent political events. After the establishment of the new order in Central Europe, the continuation of these discussions has become more urgent than they had been before." (FZ 31 March 1939)

The breach was final, however. There are no indications that discussions of this kind have been taken up again since Düsseldorf.

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